

ACCOUNTING

Time allowed – 2 hours

Total marks – 100

[N.B. – The figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and of the manner in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence]

- | | | Marks |
|---|---|-------|
| 1 | (a) Users use accounting information as a helping tool to make economic decisions. Briefly discuss the qualitative characteristics that accounting information should possess to be useful to the reasonable users. | 4 |
| | (b) When departure from the BAS is allowed? What are the disclosure requirements for such an event? | 3 |
| | (c) Define ‘Going Concern’ assumption. If there is significant doubt about the entity’s going concern, how would you report the assets? | 3 |
| | (d) What are the reasons for which the control account may not agree with the sum of the individual customers’ or suppliers’ balances? | 3 |
| 2 | (a) The following transactions were extracted from the daily book of entries of M/s. Rahim & Co. | |

- (i) Mr. Rahim started business with Tk. 100,000 cash and provided inventory valued at Tk. 10,000.
- (ii) Mr. Rahim took a 10%, 5 years loan of Tk. 50,000 from bank for business.
- (iii) Mr. Rahim purchased office furniture for Tk. 12,000. The useful life of the furniture is five years.
- (iv) Goods costing Tk. 20,000 (including VAT @15%) is purchased for resale during the month.
- (v) Total sales (including VAT @15%) amounted to Tk. 50,000 for the month. Out of the invoiced amount, 60% is received in cash.
- (vi) Salary of Tk. 5,000 is paid to the staff from the personal bank account of Mr. Rahim.
- (vii) VAT is deposited to the govt. treasury.
- (viii) Utility bills for the month Tk 10,000 is received.

Required: Prepare journal entries to record the above transactions.

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- (b) Luna runs a bookshop. The trial balance items related to accounts receivable and sales as at 31 December 2014 are:

- Net credit sales Tk. 45,000,
- Accounts Receivable Tk. 13,000
- Bad debt expense Tk. 700 and
- Allowance for doubtful debt Tk. 900.

She needs to take account of the following matters for adjustment:

- (i) As at 31.12.2014 accounts receivable Tk. 695 from a customer to be written off for which no provision was made earlier. Luna is also concerned that Tk. 250 may be difficult to recover from the same customer.
- (ii) During the year 2014, Tk. 200 was banked in respect of a receivable which had been written off in the year ended 31 December 2013. The only entry in this respect was made in the cash at bank account.
- (iii) The accounting policy is to maintain allowance for doubtful debt @ 3% of net credit sales.

Required: Prepare the adjusting journal entries to record the above adjustments.

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- (c) Khan Ceramics sells ceramic products including dinner set and others. It sent out a sales invoice to a customer for 10 dinner sets, but the employee creating the invoice accidentally typed in a total of Tk. 50,000 instead of Tk. 5,000. The customer has been overcharged by Tk. 45,000.

Required: What is Khan Ceramics to do in the above circumstance? Explain.

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- 3 (a) Kiron Ltd. had the following record of transactions for the year 2014:

Beginning inventories: 15,000 units for Tk. 30,000. Purchases and sales details were as follows:

Purchase details				Sales details		
Date	Units	Unit cost (Tk)	Total cost (Tk)	Date	Units Sold	Price (Tk) per unit
01/01/14	60,000	2.4	144,000	15/01/14	60,000	3.0
02/02/14	50,000	2.5	125,000	17/05/14	50,000	3.2
30/06/14	50,000	2.6	130,000	30/10/14	60,000	3.1
24/12/14	70,000	2.8	196,000			
Total	230,000		595,000		170,000	

Required:

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Account Name	Taka
Purchase	19,500
Discount received	150
Unearned service revenue	5,600
Sales revenue	33,000
Selling expense	1,500
Depreciation expense – Plant	750
Interest expense	500
Distribution expense	6,750
Administrative expense	14,000
Office rent expense	2,040
Bad debt expense	1,000
Closing inventory	2,000

The following facts revealed afterwards:

- A sale of goods on credit for Tk. 1,000 had been omitted from the sales account.
- A payment to supplier of Tk. 240 has been recorded as revenue expenditure in the distribution expenses.
- Cash discount of Tk. 150 had been taken into account on paying a supplier, BMW, even though the payment was made outside the time limit. BMW is insisting that Tk. 150 is still payable.
- A raw material purchase of Tk. 350 had been recorded in the purchase account as Tk. 850, but the accounts payable account was correctly written-up.
- The purchases day book included a credit note for Tk. 230 as an invoice in the total column. The correct entry was made in the purchases account.

Required to:

- (i) Correct the above facts through proper journal entries, and

(ii) Prepare Income statement year end 30 June 2015.
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5 The Trial balance for Chowdhury Ltd. as of June 30, 2015 follows:

Chowdhury Ltd. Trial Balance As at 30 June 2015		
Accounts title	Tk.	Tk.
Cash	160,000	
Inventory (1 July 2014)	3,900,000	
Trade receivables	3,640,000	
Land	4,240,000	
Machinery and office equipment	4,000,000	
Prepaid Insurance (1 July 2014)	600,000	
Trade payables		3,732,000
Borrowings from Bank		2,000,000
Accumulated depreciation- Machinery		1,800,000
Allowance for irrecoverable debts		200,000
Ordinary shares (Tk. 10 par value)		2,000,000
Retained earnings		2,200,000
Sales		19,000,000
Interest expense	60,000	
Selling and distribution expense	1,432,000	
General and administrative expenses	2,050,000	
Salaries (Factory)	600,000	
Purchases	10,150,000	
Purchase return		100,000
Transportation in	200,000	
	31,032,000	31,032,000

Additional information to be taken into consideration:

- (i) Annual depreciation on the machinery and office equipment is Tk. 800,000 (70% relates to factory, 20% relates to distribution and 10% relates to administrative)

(ii) The cost of expired insurance is Tk. 400,000

(iii) Interest expense amounting Tk. 60,000 is to be accrued at the year end.

(iv) Value of inventory after physical verification stood at Tk. 4,040,000

(v) Allowance for doubtful debt should be increased by Tk. 200,000

(vi) Income Tax for the year is estimated at Tk. 1,500,000

(vii) Provision for electricity bill for the month of June was not provided in the accounts. Electricity bill for the month of May was Tk. 10,000 (75% relates to factory and 25% relates to administrative)

Required:

- (i) Prepare Statement of profit or loss and other comprehensive income for the year ended 30 June 2015 as per guideline of BAS 1.

(ii) Prepare Statement of Financial position as on 30 June 2015 as per guideline of BAS 1.
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